

Message Text

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42

ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 STR-04 XMB-02

CIAE-00 INR-07 NSAE-00 TRSE-00 AID-05 L-02 /040 W

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R 131554Z MAY 75

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 8885

INFO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: OPIC, EFIN, UY

SUBJ: POTENTIAL US INVESTMENT IN URUGUAY: LOCK COMPANY

REF: A) STATE 063740

B) MVD 3744, 12/26/74

1. AFTER SEVERAL WEEKS OF STUDY AND NEGOTIATION, GAIL HUMMEL OF EAGLE LOCK CORPORATION, TERRYVILLE, CONN., AND FERROSMALT-SIAM OF ARGENTINA HAVE APPARENTLY REACHED AGREEMENT FOR OPTION TO PURCHASE OF LATTER'S PRESENTLY CLOSED DOMESTIC APPLIANCE AND METAL WORKING FACILITIES IN MONTEVIDEO. HUMMEL HOPES TO RE-OPEN DOMESTIC APPLIANCE ASSSEMBLY LINE AND ADD LOCK PRODUCTION WITH EMPLOYMENT OF 600 WORKERS TO BEGIN WITH. APPLIANCES WOULD BE FOR SALE IN LOCAL AND NEIGHBORING MARKETS WHILE LOCKS WOULD BE EXPORTED TO U.S.

2. HUMMEL'S EXERCISE OF HIS OPTION TO PURCHASE FERROSMALT-SIAM DEPENDS ON AGREEMENT WITH GOU FOR APPROVAL UNDER TERMS URUGUAY'S RECENT FOREIGN INVESTMENT AND INDUSTRIAL PROMOTION LAWS. COMPLICATION ARISES FROM DEBT OF 3 BILLION PESOS (\$US1.2 MILLION) OWED BY FERROSMALT-SIAM TO SOCIAL SECURITY BANK HERE. HUMMEL TOLD EMBASSY THAT HE EXPECTS GOU TO APPROVE HIS OFFER SHORTLY AND HE WILL THEN FINALIZE PURCHASE. HOWEVER, GOU SOURCES HAVE TOLD EMBASSY THAT ALTHOUGH SOCIAL SECURITY DEBT IS TO SOME DEGREE NEGOTIABLE, IT MUST BE PAID.

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3. HUMMEL HAS INDICATED INTEREST IN OPIC COVERAGE BUT IS AWARE THAT SUCH COVERAGE IN THE ABSENCE OF A BILATERAL AGREEMENT IS NOT POSSIBLE. HE TOLD EMBASSY HE INTENDS TO PROCEED WITH INVESTMENT IN ANY CASE IF OTHER DETAILS ARE AGREED TO.

4. COMMENT: BOTH HUMMEL AND GOU OFFICIALS HAVE CARRIED ON DISCUSSIONS IN ATMOSPHERE OF GREAT CORDIALITY. SHOULD THIS INVESTMENT MATERIALIZE IT WOULD REPRESENT THE FIRST LARGE NEW U.S. INVESTMENT IN URUGUAY IN MANY YEARS AND THE SECOND FOREIGN INVESTMENT UNDER THE TERMS OF URUGUAY'S RECENT FOREIGN INVESTMENT LAW. (THE FIRST WAS A RECENT GREEK PURCHASE OF A FLOATING DRYDOCK IN MONTEVIDEO HARBOR). PRESS AND OTHERS ARE TREATING THIS INVESTMENT AS A FAIT ACCOMPLI. HOWEVER, KNOWLEDGEABLE GOU OFFICIALS, WHILE ANXIOUS FOR INVESTMENT, HAVE EXPRESSED CAUTION THAT NEGOTIATIONS MAY NOT CONCLUDE AS RAPIDLY AS HOPED. GDS.
HAAHR

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Message Attributes

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